

NDLAMBE MUNICIPALITY



NDLAMBE MUNICIPALITY

TABLED BUDGET

2012/2013

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Part 1 – Annual Budget

1) Mayors Report:

Mayors speech to be inserted after the council meeting

**2) RESOLUTION OF THE NDLAMBE MUNICIPAL COUNCIL APPROVING THE
TABLED CAPITAL AND OPERATING INCOME AND EXPENDITURE FOR
THE 2012/2013 FINANCIAL YEAR**



NDLAMBE MUNICIPALITY

TABLED BUDGET RESOLUTION

Council resolves THAT

- A) THAT the consolidated operating budget and capital budget as set out in the budget document are adopted by Council and constitute the tabled budget of Council for the 2012/2013 financial year.
- B) THAT the Integrated Development Plans linked to the budget be approved.
- C) THAT all of the matters prescribed in Section 17 (1) (A-E); 17 (3) (a,b,c,d,e,f,j,k) of the Municipal Finance Management Act No. 56 of 2003 are included in the budget document and are approved.
- D) THAT the following Budget Related Policy, draft amendments to budget related policies and draft budget related policies for the 2012/2013 financial year be approved and published for public comment;
- Rates Policy
 - Fixed Asset Policy
 - Indigent Policy
 - Banking and Investment Policy
 - Budget Policy
 - Bulk Services Contribution Policy
 - Creditors, Staff and Councillors Payment Policy
 - Imprest/Petty Cash Policy
 - Credit Control and Debt Collection Policy
 - Entertainment Policy
 - Funding and Reserve Policy
 - Loans Policy
 - Management of Accumulated Surplus and Bad Debt Policy
 - Tariff Policy

- Supply Chain Management Policy
- Virement Policy
- Write-off of Irrecoverable Debt Policy
- Subsistence and Travel Policy
- Unforeseen and Unavoidable Expenditure Policy

- E) THAT the rates, water, refuse and sanitation increase of 12.% for the financial year ending 30 June 2013 be approved to be published for public comment .
- F) THAT the annual and monthly charges increase of 12.% excluding electricity which will increase by 11.03% for the period 1 July 2012 to 30 June 2013 be approved to be published for public comment.
- G) THAT the miscellaneous tariffs as set out in the budget document for the financial year 1 July 2012 to 30 June 2013 be approved to be published for public comment.

3) EXECUTIVE SUMMARY OF THE MUNICIPAL MANAGER, ROLLY DUMEZWENI, ON THE 2012/2013 DRAFT BUDGET OF THE NDLAMBE MUNICIPALITY

The Ndlambe Municipality budget was a difficult budget to compile with the continued economic crisis that is impacting on us. Although many say that the economy is slowly recovering we are not noticing the recovery or feeling the recovery in our revenue collection rates. It is critical that everything possible is done to collect outstanding debt due to the municipality but at the same time ensure that the costs of the services that we provide are affordable to the consumers.

The tabled budget put forward provides for total operating revenue of R212 596 771 the 2012/2013 financial year.

Revenue from property rates is budgeted at R76 656 913. To achieve the budgeted income, rates have been increased by 12 % for the 2012/2013 financial year.

Revenue from water is budgeted at R30 210 040. To achieve the budgeted income, water charges have been increased by 12% for the 2012/2013 financial year.

Revenue from electricity is budgeted at R56 081 390. To achieve the budgeted income, electricity charges have been increased by 11.03% for the 2012/2013 financial year.

Revenue from sewer is budgeted at R13 445 280. To achieve the budgeted income, sewer charges have been increased by 12% for the 2012/2013 financial year.

Revenue from refuse is budgeted at R16 363 367. To achieve the budgeted income, refuse charges have been increased by 12% for the 2012/2013 financial year.

The tabled budget put forward for adoption provides for total operating expenditure of R207 442 555.

Expenditure on employee related costs are R77 795 587. Employee related costs represent 38% of the total expenditure budget. No new posts have been added into the budget, only the posts that existed in the 2011/2012 financial year have been budgeted for. Employee related costs include all employees of Ndlambe Municipality but excludes Councilors allowances.

Expenditure on general expenditure has increased is R100 084 353. General expenditure represents 48% of the total expenditure budget. General expenditure includes the bulk purchase of electricity and water as well as Councilors allowances.

Expenditure on repairs and maintenance is R14 803 405. Repairs and maintenance represents 7% of the total expenditure budget.

Expenditure on contributions to capital outlay is R14 759 210. A contribution to capital outlay represents 7% of the total expenditure budget.

PART 2 – SUPPORTING INFORMATION

1) OVERVIEW OF THE ANNUAL BUDGET PROCESS

The annual budget process plan is attached below. The budget process plan indicated all the key deadlines that needed to be met to ensure that a credible budget was produced for presentation to Council on 30 March 2012.

NDLAMBE MUNICIPALITY

IDP/BUDGET TIMETABLE FOR THE 2011/2012 FINANCIAL YEAR

COMPLETION DATE	ACTIVITY	RESPONSIBILI TY
31 August 2011	IDP/Budget timetable to be presented to all councillors / managers / directors. Budget policies, guidelines and instructions to be presented to all councillors, managers and directorates	IDP/Budget Office
16 September 2011	IDP/Budget Steering Committee: Present and emphasise expectations regarding the IDP/Budget process plan.	IDP/Budget Office
23 September 2011	Managers / directors to have held a staff meeting with staff in their directorate responsible for compiling part of the budget timetable, policies, guidelines and instruction are to have been discussed.	All Managers / Directors
30 September 2011	Managers / directors to have held a meeting with ward councillors to discuss the budget timetable, policies, guidelines and instructions and to have set up community participation meetings for input into both the capital / operation budget for the ensuing three years.	All Managers / Directors
28 October 2011	Ward councillors/Managers/Directors to have completed all community participation meetings to gather information to be used in setting up Budget plans on Capital/Operational Budget and tariffs.	All Ward Councillors/ Managers/ Directors

11 November 2011	Draft operational / capital budgets and tariffs to have been completed and submitted to the Budget Office together with detailed plans (SDBIP) on all expenditure / income to be incurred for the ensuing three years. Directorates to have updated the situational analysis, objectives and strategies including their project register.	All Managers / Directors
25 November 2011	IDP/Budget Steering Committee: Monitor submissions from directorates.	Mayor
13 December 2011	IDP/Budget plans, capital / operational budget to have been consolidated.	IDP/Budget Office
31 January 2012	Managers / directors to have met to discuss draft capital / operational budget to ensure that anticipated expenditure meets parameters set out by National / Provincial Government.	Directors / IDP/Budget Office
16 February 2012	IDP/Budget Steering Committee: Discuss any anticipated changes to draft operational / capital budget to meet parameters as set out by National / Provincial Government.	Mayor
30 March 2012	Mayor to have tabled budget, resolution, plans and changes to the IDP to Council.	Mayor
30 April 2012	Mayor to have completed public hearings on the IDP/ Budget where managers and directors present their IDP/ Budget plans to the community.	Mayor
29 May 2012	Mayor to have presented final IDP/Budget to Council for adoption and to have included operating / capital budget, resolutions, tariffs, capital implementation plans, operational objectives, changes to IDP and Budget plans.	Mayor
8 June 2012	Mayor to have published IDP/capital / operational budget and tariffs	IDP/Budget Office
9 June 2012	Capital / operating budget to have been presented to National Treasury and DPLG.	IDP/Budget Office
20 June 2012	Municipal Manager to have submitted the final SDBIP to the Mayor for approval.	Municipal Manager

Unfortunately, due to numerous reasons, the target dates were not met as per the resolution of Council and the budget process only really got underway at the end of February 2012. The budget policies, guidelines, national treasury circulars, budget regulations and instructions were presented to all managers and directorates in August 2011 and once again, for numerous reasons, the budget submissions were not all done in the required formats with the necessary supporting documentation. The new formats continue to be a challenge and submissions will be improved on as

we move forward as we now know what is expected to be contained in the budget and we can now put systems into place to cater for the new formats.

2) OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN

Directorates were required to align all operating and capital expenditure to the goals and actions as set out in the Integrated Development Plan. On the capital budget, the operating budget and the service delivery budget implementation plan directors need to provide IDP numbers where possible to highlight the linkages. The budget is linked to the following main strategic goals and objectives as per the Integrated Development Plan;

- Basic Services Delivery
- Municipal Institutional Development and Transformation
- Local Economic Development
- Municipal Financial Viability and Management
- Good Governance and Public participation
- Cost effective and sustainable service delivery

Through the process of drafting the Integrated Development Plan and the budget the key responsibilities of the Ndlambe Municipality were taken into account;

- Provide democratic and accountable government for all local communities of Ndlambe
- Ensure the provision of services to all the Ndlambe community in a sustainable manner
- Promote social and economic development
- Promote a safe and healthy environment
- Encourage the involvement of all communities and community-based organizations in the matters of local government
- Maximizing of infrastructural development through the utilization of all available resources
- Implementation of effective management systems, internal controls and procedures
- Ensure we have a skilled, committed and motivated workforce
- Comply with the Batho Pele principles

3) MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Finance Directorate

The finance budget was compiled considering the following main key performance areas and taking into account finances objectives and indicators set to meet the set objectives.

The finance directorate is a support directorate so all work done at finance impacts on all wards so no indicators are ward specific.

<u>OBJECTIVE</u>	<u>INDICATORS</u>
To revise and complete the entire Municipality's asset register to be GRAP Compliant (Generally Recognised Accounting Practice) over a period of one year.	Percentage of progress made towards maintenance and rehabilitation of Asset register including all Finance Leases, Operating Leases, Infrastructure Assets and municipal and Investment properties
	New asset acquisitions are recorded/captured on a monthly basis.
	The existence of all assets is verified half yearly.
	All assets acquired are bar coded and insured on a monthly basis.
Ndlambe is able to raise sufficient revenue (internal and external sources) and manage the assets to meet their responsibilities in terms of service delivery incorporating both capital and operational costs	Percentage increase in the possible local revenue base
	100% spending of FMG and MSIG funds
	Increase in % of equitable share based on more accurate statistics in terms of the DORA
	Percentage decrease in non-payment
	Percentage of elements of financial system utilized
	Increased in number of staff trained to effectively use the financial system

An updated (contemporary) financial system of Ndlambe is optimally used by competent staff	Increase in number of useful reports generated for planning and monitoring purposes
	Increase in the investments of maintenance / upgrade of financial system
	Number of reports that meet the legal requirements at the right time
	Percentage of improved cash flow by reducing expenditure to match actual cash on hand.
To maintain Finance assets	Number of Finance assets assessed and ensuring that they are utilized economically.
To improve communication of the budget process	Relevant advertisements and loud hailing are done within the legislated time frames
Households living below the poverty line as well as vulnerable groups, have improved access to all required basic services, health facilities and social/ work creating programs	Increase in number of households benefiting from poverty alleviation programs
Develop the Supply Chain Management System to be in line with the SCM policy and meet the requirements of good practice	Fully operational computerized SCM system in line with SCM Policy and MFMA implemented
To ensure financial resources are utilized in an economical, efficient and effective manner	Income and expenditure reports are provided on a monthly basis to offices and directorates for them to do budget control.
	Infrastructure investment plan is developed for development priorities in the IDP
Develop the capacity of the Budget and Treasury Office (BTO) to meet the requirements of credible financial	BTO is established in line with treasury guidelines (structure).
	Relevant officials are trained to ensure

management.	that they are able to contribute to the financial management system (treasury departments and departmental managers)
To ensure that all revenue is collected on a monthly basis to cover the operating expenditure of the municipality on a daily basis	A process plan in place to ensure all new buildings, additions to buildings, re-zoning of properties, sub-divisions and consolidations are forwarded to the finance directorate on a monthly basis for billing and valuation purposes.
To ensure all indigents have access to free basic services.	All residents who do not have the financial means to pay for basic services in terms of the indigent policy are registered.
To ensure an effective customer care service to all residents.	A complaint register to reduce number of complaints from residents resulting from system errors is developed
	Increase in response time and resolution of complaints to be within 7 days of receipt

The key areas that are to be looked at and that were taken into account when developing the finance objectives and indicators were;

- That no borrowing would take place during the 2012/2013 financial year due to the fact that it would not be possible to sustain additional loan repayments
- That maintenance should be increased to ensure the safety of our capital assets. Budget control will have to be a main focal point during the 2012/2013 financial year to ensure that money budgeted for maintenance is spent before “nice to have expenditure” is incurred.
- Budget control must be a main focus point to ensure liquidity. With reserves been depleted, it is important that cash flow is managed to the optimum and that expenditure matches available cash
- The management of debtors and creditors is one of the most important objectives we need to give attention to. It is critical that debt is recovered and that current accounts payment levels are increased to 95% as a minimum.
- The mix of expenditure is to be monitored throughout the year to ensure an equitable mix. Available cash cannot fund only employee costs and other fixed costs. The cash flow must fund all parts of the expenditure budget
- Throughout the year we need to look at ways to maximize our revenue sources. We also need to look at how we rent and sell our assets. We must ensure that market related prices are charged at all times

- Electricity and water losses need to be managed and all losses are to be accounted for. It is critical to know what our losses are and what has been done to minimize the losses.

The revenue for finance on both operating and capital is predominantly from rates with a small percentage coming from grants. Finance does generate a small amount of revenue from providing services to the community but this revenue cannot be considered as a major revenue source.

In developing the finance objectives the integrated development plan was taken into account and a finance service delivery budget implementation plan was drawn up to meet the objectives during the 2012/2013 financial year. The finance directorate considered ways to assist with economic development initiatives that would lead to job creation and alleviate poverty. Not many areas could however be identified but it was decided to utilize unemployed citizens to assist with the indigent program and asset program.

The finance directorate is not a service delivery directorate but is critical in assisting the service directorates with budget control, providing cash resources and procurement. Here again the collection of debt is paramount so that the service delivery directorates have the cash resources to deliver on their mandates.

4) BUDGET RELATED POLICIES

The Municipal Finance Management Act and Reporting Regulations require that all budget and budget related policies be reviewed, and where applicable, be updated on an annual basis.

The budget related policies are as follows:-

- Rates Policy – Draft Amendments
- Credit Control and Debt Collection Policy – Draft Amendments
- Indigent Policy – Draft Amendments
- Budget Policy- Draft Amendments
- Bulk Services Contributions Water and Sanitation Services
- Virement Policy – Draft Amendments
- Creditors, Councilors and Staff Payment Policy - Draft Amendments
- Imprest/Petty Cash Policy
- Banking and Investment Policy- Draft Amendments
- Fixed Asset policy
- Supply Chain Management Policy
- Policy on Write Off of Irrecoverable Debt
- Loans Policy
- Tariff Policy
- Management of Accumulated Surplus and Bad Debt
- Funding and Reserve Policy – Draft
- Entertainment Policy – Draft
- Unforeseen and Unavoidable Expenditure Policy – Draft
- Subsistence and Travelling [policy – Draft Amendments

Stakeholders are requested to comment on the policies listed above before the budget presented to Council for final adoption.

All of the above policies can be viewed on the Ndlambe Municipality website www.ndlambe.gov.za

5) OVERVIEW OF BUDGET ASSUMPTIONS

Numerous factors contributed to the 2012/2013 financial year's budget being one of the most difficult budgets to fund. The economic conditions in which we have had to operate over the past year have resulted in an increase in outstanding debtors and limited funds going to capital development and maintenance. The continued high increases imposed on electricity and the increases projected for outer years not only impacts on electricity purchased for re-sale but has a negative impact on operational budgets due to the electricity consumed by water and sewer treatment plants, municipal buildings, street lights and high mast lights to name a few. With the increase in electricity and the wage increase negotiated by SALGA it was impossible to remain within the growth parameters recommended by National Treasury.

Over the past few years Ndlambe Municipality has had no capital procured from internal funds and repairs and maintenance expenditure has been curbed to balance the budgets ensuring that the increases imposed were acceptable to all stakeholders.

Assumptions used in drawing up the operating budget were;

- ESKOM increase of 11.03%
- Negotiated salary increase and notch increase totaling 10.5%
- Growth in local economy 0%
- Cost escalation 10%
- Increase in borrowing 0%
- Collection rate 95%
- Equitable Share use for basic services 100%
- Bulk purchase of water 75%

Using these assumptions and trying to keep the increase to consumers at affordable levels has once again impacted on both the capital and operating budgets.

6) OVERVIEW OF BUDGET FUNDING

The funding of the operating budget for the 2012/2013 budget is predominantly from rates, service and usage charges with little been funded through grants and subsidies.

Of the income of R212 596 771 budgeted for from rates, service and usage charges, R55 952 000.00 is to come from the equitable share.

The environmental health operating budget is funded through subsidies from the health department and CACADU respectively.

Operating Revenue

Funding Source	2012/2013 Budget
Rates	R76 656 913.00
Sewer and Sanitation	R15 153 110.00
Water	R30 210 040.00
Electricity	R56 081 390.00
Refuse	R16 363 367.00

The expenditure will only be incurred if the cash flow permits.

Capital Expenditure

See Annexure on Capital Expenditure and Grant Funding

Limited capital expenditure has been budgeted for from internal funding and the expenditure from grant funding will only be incurred once the funds have been deposited into the municipal bank account.

From the capital expenditure table it is clear that the Ndlambe Municipality internal reserves are almost depleted and that we are still reliant on government grants and external funding. It is now essential that all projects are carefully considered and that the impact of the funded projects on the operation budget, infrastructure network and availability of water be taken into account before they are approved. It will be detrimental to continue with funded projects if our operational budget will not be able to carry them, the infrastructure network does not have the capacity to accommodate it and water is not available for the project.

Ndlambe Municipality has reached its borrowing capacity so external loans to fund capital expenditure should not be considered at this point in time.

7) EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Finance Management Grant R1 753 000

This grant will be utilized to promote and support the reforms in financial management on the implementation of GRAP and compliance with the Municipal Finance Management Act. The grant is also utilized to fund the internship program of National Treasury. Ndlambe Municipality has five interns and they need to be trained to be competent in accordance with National Treasury requirements.

Equitable Share R55 952 000

This grant is used solely for subsidizing the indigent community of Ndlambe through Councils Indigent Policy. All basic services provided for under the indigent policy are subsidized through the grant so that there is no cross subsidization from other areas.

Municipal Systems Improvement Grant R800 000

This grant assists the municipality in focus areas such as financial viability, property rates and ward committee systems. The grant is a conditional grant as is to be spent as per the budget allocation made by government.

8) ALLOCATIONS AND GRANTS MADE BY NDLAMBE MUNICIPALITY

Tourism/Publicity Grant	R420 000
Allocation to crime prevention	R250 000
Pauper Burial	R15 000

The above are the only allocations and grants budgeted for by the municipality. During the financial year, Council may resolve to make further allocations or grants based on the merits of the applicant.

9) COUNCILORS AND STAFF BENEFITS

See Annexures attached